

ORDER NO. 1959

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates

Docket No. MC2013-27

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates 4 (MC2013-27)

Docket No. CP2014-22

ORDER APPROVING CHANGE IN PRICES FOR GLOBAL
PACKAGE SERVICES—NON-PUBLISHED RATES 4 (GEPS-NPR 4)

(Issued January 10, 2014)

I. INTRODUCTION

The Postal Service asks that the Commission approve a change in rates not of general applicability for the Global Expedited Package Services—Non-Published Rates 4 (GEPS–NPR 4) product.¹ For the reasons discussed below, the Commission approves the change in rates.

¹ Notice of the United States Postal Service of Change in Prices For Global Expedited Package Services—Non-Published Rates 4 (GEPS–NPR 4), December 26, 2013 (Notice).

II. BACKGROUND

The Commission approved the addition of GEPS—NPR 4 to the competitive product list, along with a model contract, following consideration in Docket Nos. MC2013-27 and CP2013-35.² The Commission later approved several substantive amendments to the GEPS—NPR 4 model contract in Order No. 1835.³

In this proceeding, the Postal Service proposes changes in rates for GEPS—NPR 4 contracts due to changes in the non-discounted published postage for Priority Mail Express International (PMEI), Priority Mail International (PMI), and Global Express Guaranteed (GXG), as well as the creation of a Management Analysis of the Prices and Methodology for Determining Prices for Negotiated Service Agreements under Global Expedited Package Services – Non-Published Rates 4 Version 2 (GEPS—NPR 4 Version 2). Notice at 2-3. In addition, the Postal Service identifies three areas where the GEPS—NPR 4 Version 2 model contract differs from the revised GEPS—NPR 4 model contract approved in Order No. 1835: (1) the ACR docket numbers in Article 19 have been updated; (2) the docket number in the last sentence of Article 19 has been revised to reflect that GEPS—NPR 4 Version 2 contracts will be filed in this docket, rather than in Docket No. CP2013-35; and (3) in the footer of each page of the agreement, “2013” has been replaced with “2014,” and in the footer of the annexes to the agreement, “13” has been replaced with “14.” *Id.* at 7.

Effective dates of proposed revisions. The Postal Service states that the GEPS—NPR 4 Version 2 rates are intended to go into effect on January 26, 2014.⁴

² See Docket Nos. MC2013-27 and CP2013-35, Order No. 1625, Order Adding Global Expedited Package Services-Non-Published Rates 4 (GEPS-NPR 4) to the Competitive Product List, January 16, 2013. The original model contract was included in Docket Nos. MC2013-27 and CP2013-35, Request of the United States Postal Service to Add Global Expedited Package Services—Non-Published Rates 4 (GEPS—NPR 4) to the Competitive Products List and Notice of Filing GEPS-NPR 4 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, December 21, 2012, Attachment 4.

³ Docket Nos. MC2013-27 and CP2013-35, Order Approving Revisions to Model Contract, September 16, 2013 (Order No. 1835).

⁴ Response of the United States Postal Service to Request for Supplemental Information, January 3, 2014, at 2.

The Postal Service intends for the GEPS—NPR 4 Version 2 model contract to replace the revised GEPS—NPR 4 model contract approved in Order No. 1835. *Id.* The Postal Service intends to file contracts with customers offered the rates established for GEPS—NPR 4 Version 2 in this docket. Notice at 8.

III. COMMENTS

The Public Representative filed comments on January 7, 2014.⁵ No other comments were received.

Based on her review of the Postal Service's Notice, the GEPS—NPR 4 Version 2 model contract, the GEPS—NPR 4 Version 2 Management Analysis, and supporting financial spreadsheets filed under seal, the Public Representative concludes that the Postal Service's filing is consistent with the policies of Title 39, United States Code and recommends Commission approval of the requested change in rates. *Id.* at 2-3. She states that based on review of the financial model filed under seal, it appears that the requested rates should generate sufficient revenues to permit the GEPS—NPR 4 Version 2 product to cover its costs and satisfy the requirements of 39 U.S.C. § 3633(a). *Id.* at 3.

The Public Representative states that the differences between the GEPS—NPR 4 Version 2 model contract and the revised GEPS—NPR 4 model contract are minor. *Id.* She notes, however, that Order No. 1835 directed the Postal Service to file changes to a model contract in the applicable "MC" docket and did not distinguish between minor and major changes to model contracts. *Id.* at 4. She asserts that the proposed changes to the model contract should also be filed the related "MC" docket. *Id.*

⁵ Public Representative Comments on Postal Service Notice of Change in Prices for Global Expedited Package Services—Non-Published Rates 4, January 7, 2014 (PR Comments).

IV. COMMISSION ANALYSIS

The Commission reviews proposed changes in rates for compliance with the requirements of 39 U.S.C. § 3633(a) and 39 CFR part 3015. Based on a review of the Notice, the Public Representative's comments, and the supporting documentation filed under seal, the Commission approves the Postal Service's change in rates for GEPS–NPR 4 Version 2.

Cost considerations. The financial modeling presented by the Postal Service in support of the GEPS–NPR 4 Version 2 price changes indicates that the proposed rates are sufficient to cover each contract's attributable costs, and that the product is not being cross-subsidized by market dominant products and should make a positive contribution to institutional costs. Thus, based on a review of the Request, supporting data, and comments, the Commission finds that the rates for GEPS–NPR 4 Version 2 contracts should cover their attributable costs (39 U.S.C. § 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. § 3633(a)(3)).

Changes to model contract. The Postal Service proposes the following revisions to the model contract: (1) the ACR docket numbers in Article 19 have been updated; (2) the docket number in the last sentence of Article 19 has been revised to reflect that GEPS–NPR 4 Version 2 contracts will be filed in this docket, rather than the GEPS–NPR 4 docket; and (3) in the footer of each page of the agreement, "2013" has been replaced with "2014," and in the footer of the annexes to the agreement, "13" has been replaced with "14." Notice at 7.

Based on its review of the Postal Service's proposal and the Public Representative's Comments, the Commission approves the revisions for use in GEPS–NPR 4 Version 2 agreements executed after January 26, 2014. In addition, in executed GEPS–NPR 4 Version 2 agreements, the ACR docket numbers in Article 19

should be revised to include PRC Docket Numbers ACR2014, ACR2015, and ACR2016.

In Order No. 1835, the Commission clarified that “changes to model contracts that do not result in changes to current prices” should be filed in the applicable “MC” docket. Order No. 1835 at 5. The Commission also found that “[i]f the revisions include price changes” a filing should also be made “in the applicable ‘CP’ docket.” *Id.* The Public Representative contends that the Notice should have been filed in the underlying “MC” docket, Docket No. MC2013-27, in addition to Docket No. CP2014-22. PR Comments at 3-4. Based on the Commission’s finding in Order No. 1835, the Public Representative’s concern has merit, as the proposed changes, even though relatively minor, include changes to the model contract. That the Notice was filed solely in Docket No. CP2014-22, however, does not preclude the Commission from considering the revisions as filed. To maintain a complete and unified record of changes to the original model contract, the Commission will also issue the instant Order in Docket No. MC2013-27. In the future, the Postal Service should file any changes to model contracts, even if minor, in the applicable “MC” docket.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the proposed revisions identified in the Notice to the GEPS—NPR 4 Version 2 model contract.
2. Notice of changes to model contracts that do not result in changes to current prices should be filed in the applicable “MC” docket. If the revisions include price changes, notice should also be filed in the applicable “CP” docket.
3. Changes in rates due to changes to the model contract and/or changes to the financial model must be approved in advance by the Commission pursuant to 39 CFR part 3015.

4. When there is a change in rates or classifications of general applicability that affects more than the input sheet of the financial model, the Postal Service shall file a request pursuant to 39 CFR part 3015 and include a complete updated model.
5. A copy of each contract, along with the financial model inputs used to generate rates for each contract, must be filed with the Commission within a reasonable time, *e.g.*, within 10 days of the effective date of the contract.
6. The Postal Service shall notify the Commission of the effective date of each contract. If any contract terminates earlier than scheduled, the Postal Service shall inform the Commission prior to the new termination date.
7. The Postal Service shall file, within 30 days of the end of each fiscal year quarter, costs, volumes, and revenues disaggregated by weight and country group associated with each contract that expires during that quarter, including any penalties paid.

By the Commission.

Shoshana M. Grove
Secretary